

Fact Sheet

31 March 2015

Investment objective	To maximise total returns by investing in fixed interest securities and to seek to preserve capital through prudent investment management.		
Investments held	Primarily be invested in Australian dollar denominated debt, issued by either Australian or foreign issuers and the foreign currency denominated debt of Australian issuers.		
Investment Manager	PIMCO Australia Pty Limited		
APIR	ETL0182AU	mFund Product Code	PMF05
Commencement	27 February 2009	Buy spread	Nil
Management costs¹	0.50% p.a.	Sell spread	-0.10%
Minimum initial investment	\$20,000	Investment pool size²	\$226.54 million

Unit Prices	Purchase	Net Asset Value	Withdrawal
31 March 2015	\$1.0582	\$1.0582	\$1.0571

Performance as at 31 March 2015 ³	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.
Total Net Return	0.47	1.57	3.57	6.27	5.23	5.89
Index Return ⁴	0.48	1.66	4.02	6.85	5.05	5.68
Total Net Return vs Index	-0.01	-0.09	-0.46	-0.58	0.18	0.21

Income distributions	30-Jun-14	30-Sep-14	31-Dec-14	31-Mar-15
Distribution rate (cents per unit)	2.5721	0.2587	1.0524	1.3228

Investment Characteristics as at 31 March 2015

Investment Statistics		Quality Breakdown	Portfolio	Benchmark
Effective Duration	2.0 yrs	AAA	43	86
Benchmark Duration	2.3 yrs	AA	13	10
Average Maturity	2.0 yrs	A	35	3
Estimated Yield	2.7 %	BBB	8	1
Average Quality	AA-	Sub Inv Grade	1	0

1. Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").
2. Investment Pool Size represents the total of all unit classes within the Fund.
3. Performance: Distribution Return is the return due to distributions paid by the Fund, Growth Return is the return due to changes in initial capital value of the Fund, Total Net Return is the Fund return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions.
4. Index = 50% Bloomberg AusBond Composite 0+ Yr Index and 50% Bloomberg AusBond Bank Bill Index.

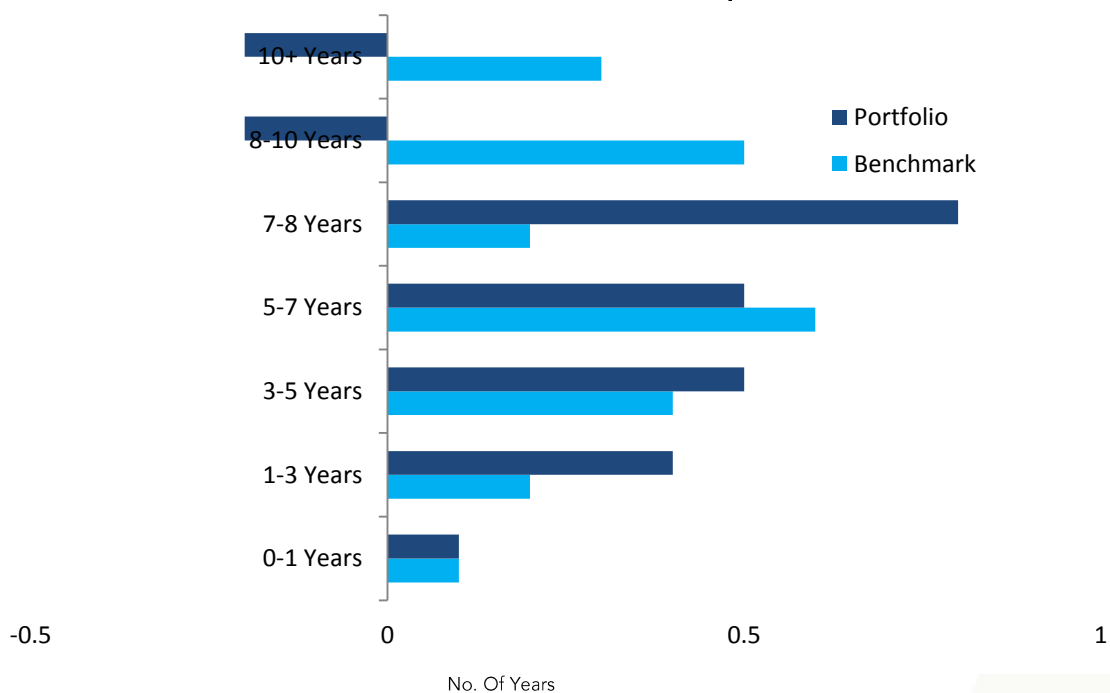
For more information visit EQT's website www.eqt.com.au; email pimco@eqt.com.au or call 1300 555 378.
For regular investment and market updates, register at PIMCO's educational website
www.rethinkyourdefence.com.au

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Investment Characteristics as at 31 March 2015

Sector Breakdown (Market Value)	%
Aust. Corporate – Government Guaranteed	1
Aust. Corporate – Other	7
Aust. Senior or Lower Tier 2 Capital	27
Cash and Other	14
Foreign Issuer in AUD	23
Residential Mortgage Backed Securities	9
Semi-Government Bonds	19

Portfolio Maturing (duration weighted exposure)



Fact Sheet

Market & Investment Commentary

First Quarter 2015

Market Commentary

- The European Central Bank (ECB) acted decisively by launching a larger-than-expected QE program and leaving the program open-ended, boosting sentiment in the region
- This move was accompanied by a wave of other global central bank easings in an attempt to ward off currency strength and fend off deflationary pressures
- The RBA also joined the accommodation stampede and for the first time in 17 months cut the cash rate to a new low of 2.25% and adopted an easing bias
- Australian Commonwealth government bonds outperformed most developed market bonds, rallying over the quarter with yields moving lower across the curve
- While the AUD continued to fall versus the USD, the AUD trade-weighted indices remained high on a historical basis

Fund Recap

- The following strategies were positive for absolute returns:
 - Australian duration contributed strongly to absolute performance as rates in Australia fell alongside RBA monetary policy support
 - Corporate exposure, particularly financials, was positive for returns due to carry and security selection
 - Modest currency positions, including an underweight to AUD and EUR relative to the USD contributed, as the USD rallied strongly over the quarter

Market Outlook

- Given the wave of monetary policy accommodation and cessation of fiscal austerity, PIMCO expects global growth to accelerate modestly to 2.75% in 2015 from ~2.5% last year
- Given sub-trend growth expected from domestic demand and weak national income growth due to the declining terms of trade from lower bulk commodity prices, we expect growth in Australia to be a below trend over the next year in the range of 2.5%–3.0%, with risks to that outlook skewed to the downside
- PIMCO's outlook remains cautious as Australia continues to face significant challenges in rebalancing the economy away from mining assisted growth. Additionally, recent falls in commodity prices act as headwinds for Australia through 2015
- PIMCO expects at least one further rate cut from the RBA in Q2, with even further policy easing a possibility over the 12 month horizon

Fund Strategy

- Emphasise the intermediate and underweight the long-end of the Australian curve as the long-end remains correlated to global interest rates
- Maintain exposure to state government bonds, as while spreads remain tight, there is little catalyst for spread widening
- Favour shorter maturity credits and continue to look for opportunities lower down the capital structure which offer higher carry
- Continue to own high quality Australian RMBS which demonstrates strong fundamentals and self-liquidating characteristics
- Maintain a short bias to the AUD given likely further policy support from the RBA and expected strengthening of the USD

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